



Community Staff Pension Fund ("the Fund") Implementation Statement

31 March 2025

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions (DWP) has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a trustee's fiduciary duty.

Implementation Report

This implementation report is to provide evidence that the Fund continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the web address:

<https://communitytunew.wpenginepowered.com/wp-content/uploads/2023/12/6ii-Draft-Community-SIP-November-2023.pdf>

The Implementation Report details:

- actions the Fund has taken to manage financially material risks and implement the key policies in its SIP.
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks.
- the extent to which the Fund has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate.
- voting behaviour covering the reporting year up to 31 March 2025 for and on behalf of the Fund including the most significant votes cast by the Fund or on its behalf.

Summary of key actions undertaken over the Fund reporting year

Towards the end of the reporting period, the Trustees implemented a change to the investment strategy. The Trustees made the decision to reduce the overweight exposure to equities down to the strategic target by disinvesting from the L&G All World Equity Index Fund (GBP Hedged). The Trustees chose to invest the proceeds into a new asset-backed securities (ABS) mandate via the L&G US Securitised Fund (GBP Hedged), with the intention of providing a more efficient collateral structure for the LDI mandate, and an efficient source of liquidity when needed for cashflow requirements while also providing a return over gilts. The Fund's strategic allocations are unchanged at present and will be reviewed as part of the investment strategy review later in 2025.

Implementation Statement

This report demonstrates that the Community Staff Pension Fund has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed

Position

Date

Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Mismatching risk	The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors.	The Trustees and their advisers considered this mismatching risk when setting the investment strategy.	No changes to policy.
Cash flow risk	The risk of a shortfall of liquid assets relative to the Fund's immediate liabilities.	The Trustees will manage the Fund's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.	No changes to policy.
Manager risk	The failure by the fund managers to achieve the rate of investment return assumed by the Trustees.	This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.	No changes to policy.
Concentration risk	The failure to spread investment risk.	The Trustees and their advisers considered this risk when setting the Fund's investment strategy and have also mandated to each of the fund managers employed that a suitably diversified portfolio of assets should be maintained at all times.	No changes to policy.
Covenant risk	The possibility of failure of the Fund's sponsoring employer.	The Trustees considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.	No changes to policy.
Operational risk	The risk of fraud, poor advice or acts of negligence.	The Trustees have sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses	No changes to policy.

		are included in all contracts for professional services received.	
ESG risk	The risk that environmental, social and governance factors can impact future returns.	The Trustees acknowledge that ESG factors can have a financially material impact on the future returns on its investments and the Trustees' actions to mitigate these is detailed later in this document.	Further detail provided later in this report.

Changes to the SIP

There were no changes to the SIP over the period to 31 March 2025.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Fund's policy with regards to ESG as a financially material risk. The Fund has agreed a more detailed ESG policy which describes how it monitors and engages with the investment managers regarding the ESG policies. This page details the Fund's ESG policy. The next page details our view of the managers, our actions for engagement and an evaluation of the engagement activity.

The Trustees' policy towards financially material considerations (including, but not limited to, environmental, social and governance considerations, including climate change) is to monitor the investment manager to whom they delegate this function through investment in pooled index-tracking funds. The Investment Manager produces regular reports on their engagement with companies on environmental, social and governance considerations.

The Trustees recognise the importance of ESG factors on long term investment performance and both immediate and future downside risks. The Trustees have set an appropriate monitoring framework to ensure the Fund's Investment Manager is regularly reviewed. The monitoring framework is intended to promote greater transparency and improved understanding of the reasons behind performance trends and key risk exposures. The Trustees recognise the importance of regular monitoring of the Investment Manager's performance, remuneration and compliance against ESG policy to ensure that the Fund's assets are being managed appropriately. Regular monitoring and communication with the Investment Manager, with specific reference to ESG factors, will incentivise the Fund's Investment Manager to assess and improve the medium to long-term performance of investee companies, both financial and non-financial.

In addition to performance measures, the Trustees will review the engagement activity of the Investment Manager to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustees will also monitor the voting activity of the Investment Manager to ensure votes are being used and are aligned to their views on ESG.

The remuneration of the investment manager is not directly linked to performance, given the absence of performance related fees, or to ESG practices. However, the Trustees will review and replace the investment manager if net of fees investment performance, risk characteristics and ESG practices are not in line with the Trustees' expectations and views.

If the Trustees believe that the Fund's Investment Manager is no longer acting in accordance with the Trustees' policies, including those regarding ESG and engagement with investee organisations to assess and improve their medium to long-term financial and non-financial performance, the Trustees will take the following steps:

- engage with the Investment Manager in the first instance, in an attempt to influence its policies on ESG and stewardship; and

- if necessary, look to appoint a replacement Investment Manager or managers which are more closely aligned with the Trustees' policies and views.

The Trustees believe that these steps will incentivise the investment manager to align its actions with the Trustees' policies and also for it to act responsibly. The Trustees, with guidance from their Investment Adviser, have chosen to invest in pooled funds. For open-ended pooled funds, the Trustees' policy is to enter arrangements with no fixed end date. However, in this case the Trustees will seek to enter arrangements where it has the power to terminate these in line with the liquidity of the underlying assets and as agreed in the mandate. The Fund's open-ended investments are weekly dealt. The Trustees will determine whether to terminate such arrangements on an ongoing basis through its regular monitoring of the Investment Manager's performance against objectives. The Trustees may also elect to terminate the arrangement with the Investment Manager when performing ongoing reviews of the suitability of the Fund's asset allocation over time.

Non-financial matters (i.e., the views of the members and beneficiaries including (but not limited to) their ethical views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Fund) are not taken directly into account in the selection, retention and realisation of investments.

Risk Management	<ol style="list-style-type: none"> 1. Integrating ESG factors, including climate change risk, represents an opportunity to increase the effectiveness of the overall risk management of the Fund. 2. ESG factors can be financially material and managing these risks forms part of the fiduciary duty of the Trustees.
Approach / Framework	<ol style="list-style-type: none"> 3. The Trustees should understand how asset managers make ESG decisions and will seek to understand how ESG is integrated by each asset manager. 4. ESG factors are relevant to investment decisions in all asset classes. 5. Managers investing in companies' debt, as well as equity, have a responsibility to engage with management on ESG factors.
Reporting & Monitoring	<ol style="list-style-type: none"> 6. Ongoing monitoring and reporting of how asset managers manage ESG factors is important. 7. ESG factors are dynamic and continually evolving; therefore the Trustees will receive training as required to develop their knowledge. 8. The role of the Fund's asset managers is prevalent in integrating ESG factors; the Trustees will, alongside the investment advisor, monitor ESG in relation to the asset managers' investment decisions.
Voting & Engagement	<ol style="list-style-type: none"> 9. The Trustees will seek to understand each asset managers' approach to voting and engagement when reviewing the asset managers' approach. 10. Engaging is more effective in seeking to initiate change than disinvesting.
Collaboration	<ol style="list-style-type: none"> 11. Asset managers should sign up and comply with common codes and practices such as the UNPRI & Stewardship code. If they do not sign up, they should have a valid reason why. 12. Asset managers should engage with other stakeholders and market participants to encourage best practice on various issues such as board structure, remuneration, sustainability, risk management and debtholder rights.

ESG summary and actions with the investment managers

Manager, fund	ESG Summary	Actions identified	Engagement with manager commentary
L&G Maturing Buy and Maintain Fund Range	<p>We consider L&G as one of the market leaders in implementing ESG policies within their funds. Buy and maintain allows a significant degree of ESG integration due to strong data availability and a requirement to consider long-term factors to facilitate holding bonds to maturity.</p> <p>L&G score well relative to their peers, with strong evidence of factoring sustainability into their investment process. The fund also has forward-looking ESG and climate objectives.</p>	<p>L&G should consider increasing engagement coverage to above 66% and carbon metric coverage to above 70% of the fund's value.</p> <p>L&G should look to include social metrics and engagement details in regular fund reporting.</p>	<p>Isio engaged with L&G on the Trustees' behalf to look at including social metrics and engagement details in regular fund reporting. L&G now reports using an industry standard ESG metrics template, which includes key social indicators.</p> <p>Following Isio's engagement with L&G to increase overall engagement, they continue to focus on engagement with lower ESG scoring counterparties; in addition, they have made progress in terms of being able to report engagements conducted by both the Investment Stewardship team and Investment team.</p>
L&G Matching Core Fund Range	<p>L&G has embedded ESG within their counterparty review process for LDI funds, using their proprietary Active ESG tool, and via engagement with counterparties.</p>	<p>L&G should consider expanding the approach to assess green gilts to complement their relative value assessment.</p>	<p>Isio engaged with L&G on the Trustees' behalf to look into providing better incentives, more choice and encouragement to investors for using active ESG tools</p> <p>L&G's Investment teams prioritise responsible investment, with ESG considerations playing a key role in research activities.</p> <p>L&G provides regular training to investment professionals and monitors the use of ESG tools to identify areas where further support may be beneficial.</p>
L&G Cash Fund	<p>L&G enhanced its ESG due diligence by capturing climate and social risks through its Climate Impact Pledge and the Future World Protection List.</p>	<p>L&G should consider reducing its temperature alignment to below 2 degrees for this fund.</p>	<p>Isio engaged with L&G on the Trustees' behalf to consider introducing ESG objectives.</p> <p>The fund does not currently include ESG objectives due to the high turnover of the fund.</p>

	<p>However, ESG reporting for the fund declined during the year, primarily due to challenges in meeting temperature alignment requirements.</p>	<p>L&G should consider increasing data coverage of greenhouse gas (GHG) emissions to above 70%.</p>	<p>However, it compensates by applying more restrictive exclusions within the funds. The approach is reviewed periodically to assess whether introducing ESG objectives would be appropriate in the future.</p>
L&G All World Equity Index – GBP Hedged	<p>We consider L&G to be market leaders in incorporating ESG and climate factors into their investment fund range. L&G has a dedicated and well-resourced team focused on key ESG issues. However, there is limited scope to adapt the investment approach to ESG in the passive equity range.</p> <p>While the fund has no explicit ESG objective, its overall ESG score has improved. This was primarily driven by an increase in the collaboration score, reflecting greater community engagement.</p>	<p>L&G should consider setting explicit fund level ESG, climate, social and nature objectives.</p> <p>L&G should consider social issues such as diversity and inclusion as part of its investment process.</p> <p>L&G should consider developing a model to assess climate scenario impacts.</p>	<p>Isio engaged with L&G on the Trustees' behalf to look at setting fund level ESG, climate and social objectives. L&G offer a wide range of responsible investing index funds for clients who wish to invest with ESG objectives. Their non-ESG index range benefit from firm-wide stewardship capabilities.</p> <p>Isio engaged with L&G on the Trustees' behalf to consider reporting on nature or biodiversity-related metrics. L&G acknowledges limited biodiversity data and has joined the Taskforce on Nature-related Financial Disclosures (TNFD) as an observer to support progress.</p>
L&G Managed Property Fund	<p>L&G has a clear process in place whereby ESG considerations form an integral part of their asset selection and composition of the portfolio.</p> <p>The Fund demonstrated further alignment with L&G Real Assets' 2050 net zero target. ESG initiatives are now quantifiable, and all assets undergo a forward-looking physical climate change risk assessment.</p>	<p>L&G should consider developing an ESG scorecard for existing assets and potential investments as part of their due diligence.</p> <p>L&G should consider setting fund specific ESG objectives.</p> <p>L&G should consider including more detailed ESG metrics and information in standard reporting.</p>	<p>Isio engaged with L&G on the Trustees' behalf to look to adopt an ESG scorecard and provide more detailed ESG metrics and information in standard reporting. L&G has not made sufficient progress in producing an ESG scorecard or by reporting more detailed ESG metrics for this Fund.</p>
L&G US Securitised Fund – GBP Hedged	<p>While the fund lacks explicit fund-level ESG objectives, it mandates that at least 5% of assets must be positive ESG-rated (using L&G's proprietary scoring).</p>	<p>L&G should consider setting explicit ESG objectives for the fund.</p> <p>L&G should consider formalising a process to report GHG emissions data within the portfolio.</p> <p>L&G should build up examples of meaningful engagement with issuers.</p>	<p>Isio engaged with L&G to advocate for explicit ESG objectives and enhanced climate disclosures. While L&G's firmwide leadership is robust, the fund lacks tailored ESG targets, relying on internal scoring with gaps in GHG reporting and climate integration.</p>

Engagement

As the Fund invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the Fund year.

*Please note that one engagement could cover multiple different themes.

Fund name	Engagement summary	Commentary
L&G Maturing Buy and Maintain Credit Fund Range	<p>Total engagements: 939*</p> <p>Environmental: 613 Social: 227 Governance: 228 Other: 123</p>	<p>L&G has engaged with managers in relation to environmental, social, governance and other issues as aligned in the SIP.</p> <p>The following examples are engagements which have taken place over the period.</p> <p>Shell Plc – L&G engaged with Shell, meeting with them several times to discuss their approach to climate transition towards net-zero emissions by 2050. While shell have made commitments to reduce emissions and pledge to not pursue new exploration activities, they still have ambition to grow their gas business in the medium term. Therefore L&G voted against the company's Energy Transition Strategy proposed in the 2024 AGM.</p>
L&G Matching Core Fund Range	The manager does not produce a detailed breakdown of the engagement activity for LDI funds.	
L&G Cash Fund	<p>Total engagements: 8*</p> <p>Environmental: 7 Social: 1 Governance: 2 Other: 0</p>	<p>Apple Inc – L&G engaged Apple to improve AI governance transparency and risk management, supporting a shareholder resolution (relating to a request to produce a transparency report on the company's adoption of AI in business operations) and also held post-vote discussions with senior leadership.</p>
L&G All World Equity Index – GBP Hedged	<p>Total engagements: 2,242*</p> <p>Environmental: 1,626 Social: 483 Governance: 260 Other: 152</p>	<p>While Apple published responsible AI principles, risk management disclosures remain inadequate. L&G will continue dialogue to address material AI risks and monitor progress.</p>
L&G Managed Property Fund	L&G does not produce engagement data for the property fund.	
L&G US Securitised Fund – GBP Hedged	L&G does not produce engagement data for the ABS fund.	

Voting

The Trustees have acknowledged responsibility for the voting policies that are implemented by the Fund's investment managers on their behalf.

The Fund's fund managers have provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2025. The Trustees have adopted the managers definition of significant votes and have not set stewardship priorities. The managers have provided examples of votes they deem to be significant, and the Trustees have shown the votes relating to the greatest exposure within the Fund's investment.

Fund name	Voting summary	Examples of most significant votes	Commentary
L&G All World Equity Index Fund – GBP Hedged	<p>Votable Proposals: 63,689</p> <p>Proposals Voted: 99.82%</p> <p>For votes: 79.48%</p> <p>Against votes: 18.99%</p> <p>Abstain votes: 1.52%</p>	<p>Tesla Inc – In June 2024, L&G voted against ratification of executive pay, opposing one-off awards which seemed excessive. Despite the resolution passing, L&G will continue advocating for transparent, performance-linked remuneration, deeming this vote "most significant" for its link to L&G stewardship sub-theme: executive pay.</p> <p>Alphabet Inc – The proposal sought the re-election of a director, with L&G voting against in June 2024 due to concerns over excessive board tenure, insufficient gender diversity and Alphabet's unequal voting structure, which conflicts with L&G's 'one-share-one-vote' principle. Despite the resolution passing, L&G will continue advocating for board refreshment, gender parity and equitable shareholder rights. L&G remains committed to engaging with Alphabet and monitoring progress on these critical governance themes.</p>	<p>L&G's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G and we do not outsource any part of the strategic decisions.</p> <p>To ensure that the proxy provider votes in accordance with L&G's position on ESG, they have put in place a custom voting policy with specific voting instructions.</p>

